



PPP  
ASSOCIATES



# Frederick County, MD

## Services Assessment Study

# Objective

- To perform an analysis of various County services in order to determine if there is a reasonable expectation that these services can be provided more efficiently by the private sector.

## Sandy Springs: The Public Private Partnership Model



# Scope and Methodology

- Leadership seeking efficient methods to curtail growth of long term liabilities
- Formation of internal Task Force
- PPP Associates conducted extensive data gathering and analysis

# Timeline for Report

- **March 28**, Initiation of study
- **April 4**, Responses to data request, more than 400 pages
- **April 4 - 10**, Preliminary analysis
- **April 11 - 12**, Site visit by PPP Associates
- **April 13 - 20**, Analysis of data gathered in site visit
- **April 20**, Responses to additional questions
- **April 20 - 27**, Final Analysis
- **April 27 - May 5**, Composite cost comparison
- **May 5 - 29**, Analyses of individual services
- **May 30 - June 15**, Compilation of Final Report
- **June 16**, Presentation of Final Report

# Core Services

- First step was identification of services to be considered under PPP model
- Targeted areas are provided through PPP in other local governments
  - Human Resources
  - Interagency Information Technology
  - Financial Administration
  - Fleet Services
  - Facility Services
  - Community Development Services
  - Internal Audit
  - Public Works
  - Parks and Recreation
  - Court

# Core Services

- Functions analyzed to determine appropriateness of PPP in Frederick County
- All functions are appropriate for PPP
- Collectively referred to as “core” services
- County performs variety of services. In 2011,
  - Total budget equals \$438 million
  - Operations budget is \$223 million of total
  - Core services is 30% of total (\$131 million)

# Core Services

Department	# FTE	FY11 Budget
Human Resources	8.51	\$ 907,000
Interagency Information Technology	65.00	8,125,906
Financial Administration	65.00	5,227,105
Management Services	101.50	20,889,776
Internal Audit	6.00	633,655
Public Works	167.20	17,556,024
Community Development Services	64.00	7,670,201
Parks and Recreation	48.01	5,341,349
Court	15.00	1,064,131
<b>Total</b>	<b>528.64</b>	<b>\$ 67,415,147</b>



# Core Services

- Comparing costs for core services with other PPP models, we are able to quantify a cost for comparison
- Detailed analysis of personnel requirements to determine which were appropriate for PPP model
- Personnel transfer integral to cost analysis for impact on County contribution to pension and OPEB

# Additional Services/Functions with Potential for Outsourcing

- Majority of County's costs are outside core services area
- We reviewed nature of these services to provide recommendation for those which are appropriate for PPP
  - Adult Detention (Jail Services)
  - Water and Wastewater Services
  - Solid Waste
  - Emergency Communications
  - Grant Funded Services
    - Department of Aging
    - Transit
    - Office of Children and Families
    - Family Partnerships
    - Workforce Services

# Additional Services

Department	# FTE	FY11 Budget
Adult Detention	115.00	\$ 11,633,726
Work Release	31.00	2,442,943
Central Booking	5.00	376,085
Alternative Sentencing	9.00	831,273
Water and Wastewater Services	129.50	31,995,483
Solid Waste Management	38.50	23,081,779
Emergency Communications	48.00	4,542,587
Grant Funded Services	128.00	5,800,000
<b>Total</b>	<b>504.00</b>	<b>\$ 80,703,876</b>

# Long Term Liabilities (LTL)

- Analysis key to projection of impact on long term liabilities, including pensions and OPEB
- County has major commitment for LTL. As of July 1, 2010:
  - Pension Fund = \$325.3 million with \$67.4 million unfunded
- Analysis to determine impact conversion to PPP would have on total level of liability
- Incorporates estimates obtained by county staff from internal and external sources
- Effect on retirement funds and other post employment benefit (OPEB) funds calculated

# Findings

- **General**

- County has already taken steps to improve efficiency through 2% reduction in FY11 budget
- Current operations are, in general, well managed when compared to other “traditional” governments
- No broad surveys of citizen satisfaction in recent years; but no anecdotal evidence to indicate widespread demand for improved service

- **Leadership**

- Board and County Manager have strong desire to move to more efficient and responsive method, especially if costs are cut in excess of 10%
- Board expressed view that no service/function unwilling to convert if costs are lowered
- Board expressed concern that existing employees be offered employment where feasible

# Findings

- **Personnel**

- Approximately 528 employees are involved in core services/functions
- Approximately 2/3 are vested for pensions
- Majority of employees in core services will be employed by private company
- Natural attrition rate of 10% per year
- County may construct contracts to include provisions for employees

# Findings

- **Projected Savings**

- Adoption of PPP model may lead to reduction of costs ranging from \$45 to \$70 million over five years (13% to 21%)
- County's annual contribution to post-retirement health insurance projected to be \$10 million over five years
- County's annual contribution for pension liabilities projected to be \$29 million over five years
- **Combined savings in range of \$84 million to \$109 million over five years (25% to 32%)**
- Long term liabilities for pensions and other reduced \$32.7 million (49% of unfunded liabilities)
- May experience further savings from reduction in capital expenditures for equipment and recovery from sale of equipment

# Findings

- **Projected Savings**

- Substantial savings (10% to 31%) of present costs in following areas:
  - Adult Detention Centers
  - Alternative Sentencing
  - Water and Wastewater Services
  - Solid Waste Management
- Reduction in County employees over five years projected to save \$21.5 million in retirement and other benefits
- Transfer of Grant Funded Services could result in savings of \$7.75 million by reducing operating subsidies and long term liabilities



# Findings

- **Capital Investment and Maintenance**

- Conversion to PPP:
  - Will result in reduction in capital investment for equipment and associated assets
  - May result in reduction in capital investment by county in computer equipment and systems
  - Will create a reduction in capital investment by county in facilities and warehouses
  - Will reduce cost of maintenance for equipment and systems
  - Will reduce and/or eliminate cost of warehousing and parts
  - Will eliminate cost of insurance on equipment, systems, maintenance facilities, warehouses and inventories
- Recover capital by sale of no longer needed equipment, systems, maintenance facilities and warehouses

# Findings

- **Long Term Liabilities**

- Associated with core services reduced by \$32.7 million in addition to savings in operational costs
- Annual expenses with core services for pensions and OPEB reduced by \$7.9 million for five year savings of \$39.5 million

# Recommendations

- Based on findings, Frederick County may save substantial costs by utilizing PPP model for array of core services and functions
- Concurrent improvement in responsiveness to citizen needs leads PPP Associates to recommend an early adoption and conversion to PPP model
- Frederick County Task Force should continue investigation of efficiencies to be gained in functions not considered for PPP model

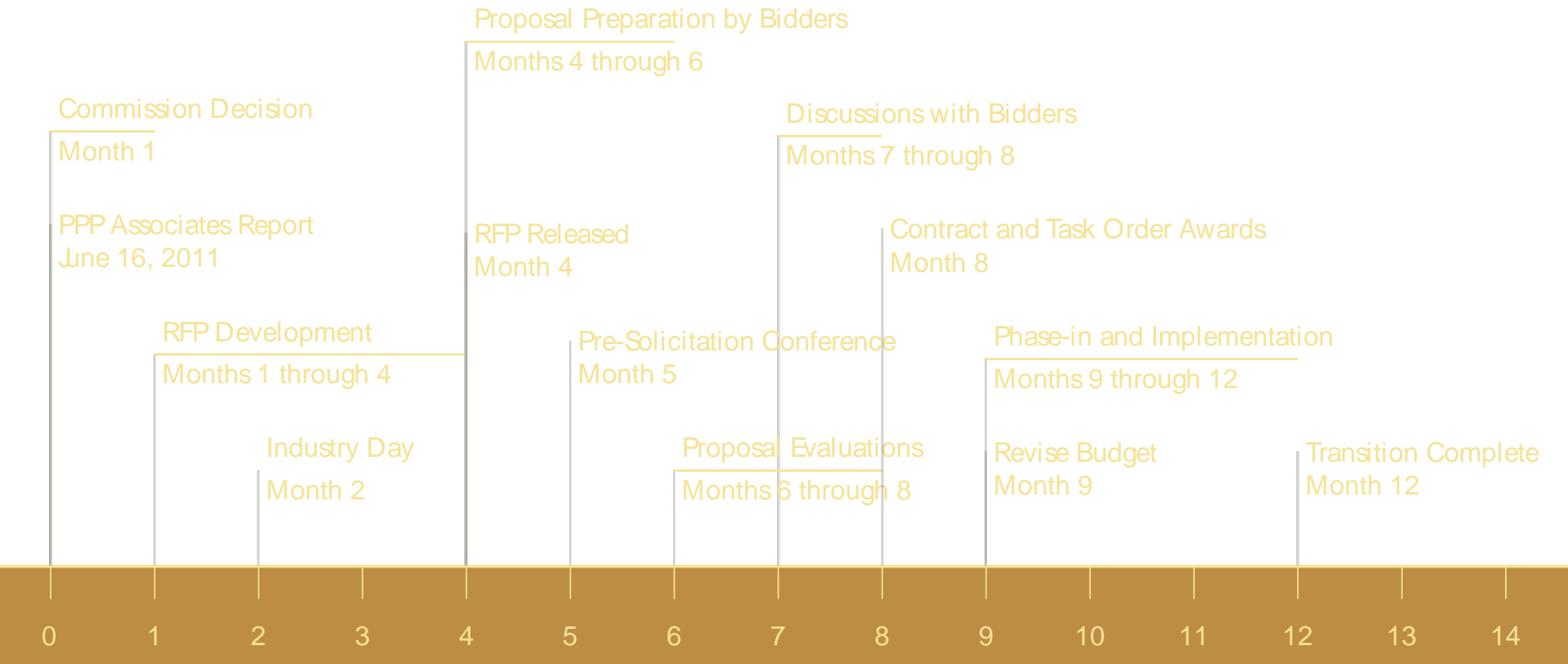
# Recommendations

- Consider additional services for potential outsourcing:
  - Adult Detention Centers
  - Alternative Sentencing
  - Water and Wastewater Services
  - Solid Waste Management
  - Emergency Communications
- Board will have number of options for utilizing projected savings
  - Reducing taxes
  - Increasing capital programs
  - Growing reserves to offset future costs
  - Reducing level of unfunded liabilities
  - All of the above

# Recommendations

- Should County decide to convert to PPP model, contracts should be for minimum of five (5) years.
- Contract should specify that every service/function should continue at same or improved level
- Maximum savings available through conversion to full PPP model
- Statistically valid survey should be conducted to determine citizen satisfaction prior to conversion to PPP model; serves as benchmark for future evaluation

# Proposed Timeline





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